

VZCZCXYZ0000  
RR RUEHWEB

DE RUEHMU #0355/01 0372352  
ZNR UUUUU ZZH  
R 062352Z FEB 07  
FM AMEMBASSY MANAGUA  
TO RUEHC/SECSTATE WASHDC 9003  
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE  
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS MANAGUA 000355

SIPDIS

SENSITIVE  
SIPDIS

STATE PLEASE PASS TO USTR/AMALITO  
DEPT FOR WHA/CEN, WHA/EPSC, EB/TPA

E.O. 12958: N/A

TAGS: [ETRD](#) [EINV](#) [EAGR](#) [WTO](#) [MCC](#) [PINR](#) [NU](#)

SUBJECT: NICARAGUA: AMBASSADOR CALLS ON NEW MINISTER OF  
TRADE AND INDUSTRY

1. (SBU) Summary. In a cordial introductory meeting with new Minister for Development, Trade, and Industry Horacio Manuel Brenes Icabalceta, the Ambassador touched on CAFTA and U.S. trade capacity building programs, the Millennium Challenge Account, and WTO trade issues. Also discussed were recent statements made by President Ortega and the toll that corruption took on the poor. Brenes observed that the impression that some have of Ortega's views is somewhat distorted. The government's public discourse, he explained, does not always agree with its actions -- Nicaragua was not preparing to return to the 1980s. "Everybody knows," he stated, "that if we do not maintain (macroeconomic stability), nothing will happen." Nicaragua "had already tried socialism," he explained, "and it did not work." On the subject of corruption, Brenes became animated, stating that corruption was why he had left Arnoldo Aleman's PLC. Brenes feels that Nicaragua needed to educate itself away from a culture of corruption. End Summary.

2. (SBU) The Ambassador called on new Minister for Development, Trade, and Industry Horacio Manuel Brenes Icabalceta on January 29. In a cordial introductory meeting lasting less than one hour, the Ambassador touched on CAFTA and U.S. trade capacity building programs, the Millennium Challenge Account, and WTO trade issues. Also discussed were recent statements made by President Ortega and the toll that corruption took on the poor. From a policy perspective, Brenes did not go into depth on any of these subjects. No other Ministry of Development, Trade, and Industry (MIFIC) official attended.

CAFTA

-----

3. (U) The Ambassador explained that much what the U.S. Mission does in Nicaragua revolves around helping Nicaraguans take advantage of opportunities that the U.S.-Central American Free Trade Agreement (CAFTA) has to offer. The Ambassador pointed out that this activity reflects the fact that CAFTA is the basis of our bilateral economic relationship. The Ambassador described some of the trade capacity building efforts in which the Mission was engaged. Through ProCAFTA, for example, USAID is working with MIFIC to encourage bilateral trade and investment, promote a public-private dialogue on development priorities, and help Nicaraguans meet international norms and standards to facilitate trade. The U.S. Department of Agriculture is working with Nicaraguan officials to help farmers and ranchers meet U.S. food and health standards, so that they may sell their products to the United States. The Millennium Challenge Corporation is working with MIFIC to unlock the

regional potential of the departments of Leon and Chinandega, including constructing roads and developing regional processing and marketing channels to U.S. and other international markets. The U.S. Trade and Development Agency is funding \$750,000 worth of feasibility studies on expanding cargo services at the Port of Corinto and Managua International Airport. Each of these programs reflects our desire to help Nicaragua take advantage of the opportunities that CAFTA has to offer.

#### Millennium Challenge Account

-----

¶4. (U) The Ambassador told Brenes that he is optimistic about opportunities that CAFTA, the Millennium Challenge Account, and rising investment flows presented to Nicaragua. Trade and investment is creating real jobs and raising Nicaraguan productivity. The Ambassador added that he would soon be visiting Leon to see a Mexican-Japanese plant assembling electrical wire harnesses for Ford Motor Company. The plant represented the type of investment that can take place within the context of globalization -- the kind that the Millennium Challenge Corporation (MCC) wants to attract and that might someday find its way to Matagalpa, the minister's home department. Matagalpa borders MCC's region; and Brenes seemed to be well aware of what was going on in the neighboring departments of Leon and Chinandega.

#### Ortega's Economic Policy

-----

¶5. (SBU) The Ambassador asked Brenes about some of the points that President Daniel Ortega made during his meeting with the diplomatic corps on January 26. Ortega seemed to be questioning the value of private participation in the telecommunications and power sectors, lamenting the prospect of negotiating a program with the IMF, and regretting that the country would have to pay \$100 million this year on bonds issued to indemnify property confiscations of the 1980s. Ortega also spoke on the failures of "neo-liberalism," as if no progress had been made during the past fifteen years.

¶6. (SBU) Brenes replied that the impression that some have of Ortega's views is somewhat distorted. The country has taken "some severe blows" over the years, sometimes devastated by earthquakes and hurricanes, and at other times by war and politics. Brenes highlighted the corruption of former president Arnoldo Aleman. He claimed that 80% of the population had not been adequately represented in decisions taken in Managua. However, Nicaragua "had already tried socialism," he said, "and it did not work." The government's public discourse, he explained, does not always agree with action; Nicaragua was not preparing to return to the 1980s. "Everybody knows," he declared, "that if we do not maintain (macroeconomic stability), nothing will happen." In fact, he stressed, "If there were something more I could do to preserve macroeconomic stability, I would." Brenes continued to say that he believes in free enterprise and wanted to see it work for Nicaragua. For this reason, he planned to work closely with the small and medium enterprise institute, which reported to his ministry. He pointed out that small and enterprise covers 70% of the "masses."

#### Corruption

-----

¶7. (SBU) Brenes, who was soft spoken throughout most of the meeting, became animated on the subject of corruption. He said that corruption was why he had left the PLC. "Aleman acts like he is the owner the party," he said. Brenes then recounted that, at one point during the last election campaign, Brenes approached Aleman to tell him that he was "killing the party." After that, Aleman tried to approach Brenes through an intermediary, the first and last of whom Brenes summarily rebuffed. Brenes recalled a lecture he once had at INCAE. The professor walked into the classroom asking the class, "What is the problem with Latin America?" At the end of the discussion, the professor paused to say, "The

problem with Latin America is corruption," and with that, he walked out of class. Brenes reasoned that Nicaragua does not just need to produce more, but also needs education (i.e., to change the culture of corruption). The Ambassador suggested that perhaps the American Chamber of Commerce should invite the Minister to lunch to discuss these issues. The chamber is quite engaged on the subject of ethics, transparency, and corporate responsibility.

#### WTO Trade Disputes

-----

¶18. (SBU) The Ambassador mentioned Ecuador's November 2006 request for WTO consultations on the European Union's new import regime for bananas. The United States has joined as a third party, but wondered if Nicaragua had missed the window to join. Brenes responded that he has only recently become aware of the case, but seemed to know that in the past Nicaragua had supported Ecuador. He recognized the potential for Nicaragua to increase its banana/plantain production to historical levels.

¶19. (SBU) Brenes knew a bit more about peanuts. Nicaragua's interest in peanut exports has caused it to join Canada's request for WTO consultations on U.S. agricultural subsidies. Specifically, Nicaraguan peanut producers, who are producing increasing quantities of the product, are quite worried that sales of U.S. subsidized peanuts are adversely affecting Nicaraguan peanut sales to Mexico. The Ambassador noted that Nicaragua did not come close to filling its U.S. tariff rate quota under CAFTA, but that exports of peanut oil and other value added products have been rising. The Ambassador suggested that perhaps Nicaragua should look for ways to add more value to the product before exporting it. Brenes agreed that this idea had some merit. Note: On January 30, Brenes penned a letter to the Ambassador stating that Nicaragua had petitioned to join Canada's request for consultations as a consequence of U.S. peanut subsidies.

#### Biography: Horacio Manuel Brenes Icabalceta

-----

¶10. (SBU) Horacio Brenes is a 57-year-old businessman from Matagalpa who became increasingly active in business associations and politics in Matagalpa during the past ten years. In 1995, Brenes helped found the Pro-Matagalpa Trade Fair Committee, which by 1998 had transformed into the Foundation for the Development of Enterprise in Matagalpa (FUDEMAT).

¶11. (SBU) Brenes entered politics in 1996, when he ran for mayor of Matagalpa. In his first campaign, he ran on an independent ticket called Matagalpa 2000. He was defeated by the PLC candidate. In his second campaign, he ran on the PLC ticket for mayor of Matagalpa in 2000. He was defeated by FSLN candidate Sadrach Zeledon. Nevertheless, Brenes earned a seat on the City Council and began working with Zeledon. In a unity pact, the two pledged to "work for the good of Matagalpa." In his third campaign, Brenes again ran for mayor of Matagalpa on the PLC ticket. This time he lost to FSLN candidate Nelson Artola. Remaining a member of the City Council, Brenes continued to work with Artola as he had Zeledon until Brenes left to become Minister of Development, Industry, and Trade.

¶12. (SBU) It appears that Brenes first identified himself as a supporter of FSLN presidential candidate Daniel Ortega in August 2006. Brenes was one of a group of liberals who joined the FSLN's campaign for unity in a series of town meetings held in Matagalpa and Boaco in support of candidate Ortega. Ortega's wife and campaign manager, Rosario Murillo, organized these campaigns and it is this relationship which may have led to his appointment as minister.

¶13. (SBU) Brenes attended the Central American Institute for Business Administration (INCAE), a well-known business school Latin America with campuses in Managua and San Jose, Costa Rica. Brenes told us that he also studied at Louisiana State

University for three years in the late 1960s. Brenes is married to Tamara Hawkins, whose grandfather came from Boston. He has four children, two boys and two girls. Two of his children attend university in Florida.

¶14. (U) Post is still awaiting Brenes' official biography.  
TRIVELLI